

SAGA FURS OYJ, HALF-YEAR FINANCIAL REPORT 2021-2022

29 JUNE 2022 (translation)

This is a summary of the official half-year (1 Nov 2021 to 30 April 2022) financial report of Saga Furs Oyj published on 29 June 2022 in Finnish and in Swedish. The full report is available at www.sagafurs.com in Finnish and in Swedish.

Brokerage sales and revenue declined; financial result turned negative

- Weakened consumer demand in China caused by Covid-19 lock-downs and Russian attack to Ukraine turned market demand for fur pelts into decline during the spring 2022 auctions.
- During the six-month period ending 30 April 2021, the value of brokerage sales declined by nearly 70 percent from the comparison period and was EUR 44 million (EUR 144 million for the period of comparison).
- Revenue decreased by 56 percent and was EUR 9.3 million (EUR 21.0 million).
- Consolidated costs decreased and were EUR 15.5 million (EUR 17.7 million).
- Operating profit declined and was EUR -2.3 million (EUR 3.9 million).
- Net financial income decreased to EUR 0.7 million (EUR 3.8 million).
- Pre-tax loss was at EUR -1.7 million (EUR 7.6 million pre-tax profit).
- Earnings per share were EUR -0.85 (EUR 1.73).

Consolidated key figures	11/21-4/22	11/20-4/21	11/20-10/21
	6 mo	6 mo	12 mo
Total brokerage sales, MEUR	43.7	144.0	391.9
Total amount of skins sold, million pcs	1.2	3.8	10.0
Net turnover, MEUR	9.3	21.0	51.0
Operating profit/loss, MEUR	-2.3	3.9	11.0
Profit before taxes, MEUR	-1.7	7.6	16.6
Earnings per share, EUR	-0.85	1.73	3.63
Return on equity, (ROE) %	-3.5%	7.6%	15.3%
Return on investment, (ROI) %	-1.2%	6.2%	13.5%

Review from CEO Markus Gotthardt

“The results of Saga Furs’ auctions during the first half of the financial year were far from expectations. The two main reasons for this were the war in Ukraine initiated in February 2022 by Russia and above all, the difficult situation in China caused by Covid-19-related lockdowns that stopped the retail sales of fur garments. For these reasons, the value of our brokerage sales for the first six months of the financial year were less than third of the good sales results from the comparison period and even less than the sales during the first spring of the pandemic. Due to the above, our key financial figures declined significantly.

In China, our most important market, the persistent Covid-19-related lockdowns in major cities made it difficult if not impossible to design, manufacture and sell fur garments. Our Chinese customers participated in our spring 2022 auctions only to purchase pelts for immediate needs.

Since the end of April, the end of our financial half-year period, we have seen some early signs of China lifting the strict lockdowns. The partial restart of the Chinese economy and Saga Furs' sales and marketing efforts during the spring showed results in our June online auction, where our Chinese customers were again actively purchasing pelts.

The Russian attack to Ukraine had a significant impact on Saga Furs' brokerage sales. The share of our brokerage sales to the Russian market has been approximately one fifth. The payment and travel restrictions affecting Russians have an indirect impact also on fur garment manufacturing and sales in other countries. Even though exporting fur pelts to Russia is not under EU sanctions, Saga Furs has decided not to broker pelts to Russia.

Saga Furs has a strong position in the global fur markets. According to our core mission, we will continue auctioning pelts in a situation where – even in a normal market situation the volatility can be very high – demand fluctuations between auctions can be particularly high. We are actively seeking solutions to regain the volumes of pelt sales to sufficient levels to sustain the fur industry. Also, we believe that the strengthening of currencies in our main markets will play a part in supporting demand for pelts.

Saga Furs' ability to adapt to short-term changes in market conditions has been tried and tested. During the second half of the financial year, adapting to circumstances, we will organise our auctions either online or as traditional auctions, whichever way our customers from our main markets can best participate.

We will also look at the long-term development of the company: during the second half of the financial year, we'll sharpen the company strategy and how we play our part in creating and establishing such conditions that make the fur industry sustainably successful in the future.”

Events after the reporting period

Saga Furs organised its fourth fur auction for the financial year 2021–2022 online on 13–21 June 2022. The value of brokerage sales was EUR 92 million, which was more than double the total brokerage sales of the first half of financial year, but less than half of the brokerage sales of the June 2021 auction.

During the June auction, 55 percent of the 5 million mink pelts offered were sold. The price levels were easier in the high-volume mink types. Of the offered 560,000 Saga® fox and Finnraconoon pelts, 55 percent were sold for a steady or slightly decreased price level. Buyers from China were again active in the usual June auction manner, but purchases were also made to other significant markets. Saga Furs will hold its next and final auction for this financial year in September 2022.

Business outlook

Saga Furs estimates that the value of brokerage sales and net sales for the financial year will remain clearly below the level of the financial year 2020–2021 (2020–2021: brokerage sales EUR 392 million, net sales EUR 51 million). The company estimates that in the uncertain market conditions, the operating profit for the financial year 2021–2022 will weaken significantly and be at a loss.

Vantaa 29 June 2022

SAGA FURS OYJ
BOARD OF DIRECTORS

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